

Contingencies

The Contingency Fund (also commonly referred to as a “rainy day fund”) provides for revenue shortfalls and unanticipated costs that may occur after the budget is adopted. The possibility of natural disasters, public or employee safety emergencies or up-front costs for productivity opportunities necessitates the need for adequate contingency funds. Use of these contingency funds requires City Council approval.

GENERAL FUND CONTINGENCY

The budget reflects a decrease in the General Fund contingency from the 2002-03 budgeted level of \$30,842,000 to \$22,700,000. The decrease is the result of reducing the base level from 3 percent to 2.5 percent of operating expenditures and the elimination of a “set-aside” which had been established for operating costs of new capital facilities.

In 1995-96, the City Council adopted a policy to slowly increase the base

contingency amount to 3 percent of operating expenditures. The following table shows the progression from the 2.5 percent level in 1995-96 to 3 percent in 2000-01. The budget reduces the base by \$4.7 million to a 2.5 percent level.

The following table also shows set-aside amounts. Set-asides have been used to prepare for known future costs such as declining federal grant funding and new capital project operating costs. The budget eliminates a \$3.6 million set-aside for future capital operating costs.

Comparison of Annual Budget for General Purpose Fund Contingency Amount to Operating Expenditures (000's)


Fiscal Year	General Purpose Fund Operating Expenditures*	Contingency and Set-Aside Amounts	Percent of Operating Expenditures
1995-96	\$633,964	\$15,625 3,000	2.5%
1996-97	674,619	17,318 1,320	2.6
1997-98	711,266	19,000 —	2.7
1998-99	748,937	21,000 1,150	2.8
1999-00	797,633	23,408 1,800	2.9
2000-01	883,196	26,780 4,600	3.0
2001-02	887,644	26,550 7,600	3.0
2002-03	912,192	27,190 3,652	3.0
2003-04	912,583	22,700	2.5

*Prior to 2001-02, Development Services operating expenditures were included in the General Purpose Fund Contingency calculation. A separate contingency has been established in that fund.



OTHER FUND CONTINGENCIES

Similar to the General Fund, other funds also include contingency amounts. The contingency amounts and percentages of total operating expenditures vary to accommodate differences in the volatility of operations and revenues. Use of these amounts requires City Council approval. The following table shows the contingency amount for each of the other funds.



2003-04 Other Fund Operating Expenditure and Contingency Amount (000's)

Fund	Operating Expenditures	Contingency Amount	Percent of Operating Expenditures
Transit 2000	\$ 77,975	\$ 2,625	3.4%
Development Services	38,336	1,500	3.9
Aviation	195,456	10,000	5.1
Water	185,217	26,200	14.1
Wastewater	113,027	15,000	13.3
Solid Waste	81,684	2,000	2.4
Civic Plaza	46,707	5,000	10.7
Golf	7,737	50	0.6